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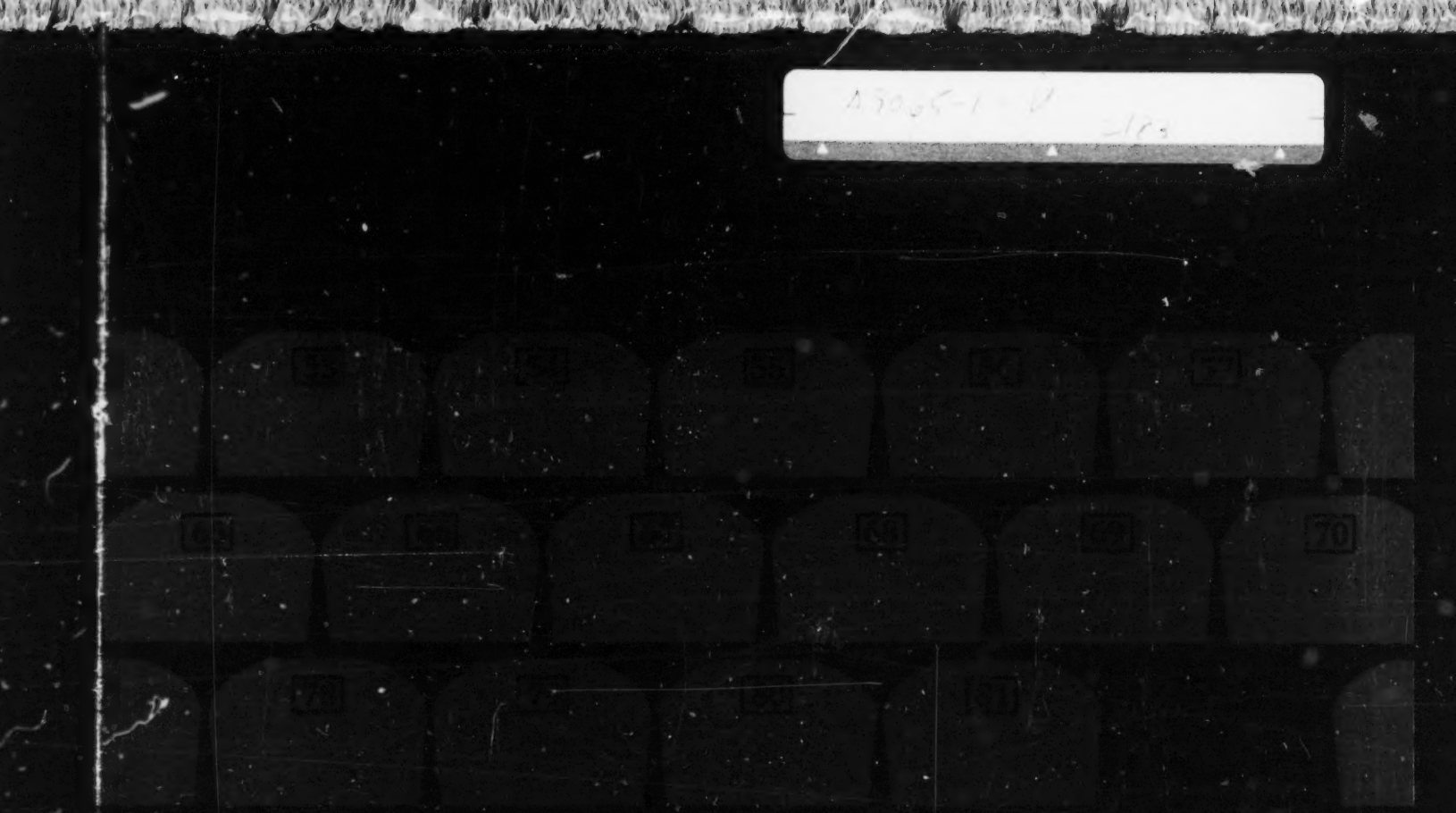


THEATRE FACTS 82

A statistical guide to the finances and productivity of the nonprofit professional theatre in America.

"Theatre should be
an instrument for giving,
not a machinery for getting."
— Eva Le Gallienne

Foreword:
Scrambling up the Mountain

Years ago, when I was living in England, Peter O'Toole was in his early 20s. I remember seeing his Hamlet in Bristol, and he told me it was the third time he had played the part. In America, we wring our hands in envy when we consider the extraordinary depth of the British acting pool. It's very simple — they let young, unknown talents play Hamlet three times before they're 30. Such ventures — such opportunities — simply can't take place when marketplace considerations must take precedence.

In theatre governance, we unfortunately elected long ago to follow the earlier British theatrical tradition. It is obvious that the British did not at one time consider theatre a very respectable art form, for they originally invented a system that had to prosper by its own means — a marketplace mentality that did not parallel the structure of their orchestras, ballet or opera companies. Not until World War II did they finally understand what their cousins throughout Europe had always believed — that the theatre was an essential social service, *necessary* to a community, in the same way libraries, schools and health care were necessary — not optional frills to be negotiated, but necessary. Period.

In the relatively short time since the 1950s, we have consequently seen the English nonprofit theatre grow at a staggering rate, even while the Empire shrank to a nation, with the concomitant loss of income that has produced an economy far worse off than anything America is experiencing in the present recession. The vitality and creativity of the British theatre have informed and altered the way theatre is perceived throughout the world. The quantum leaps made through the work of the National, the Royal Court and the Royal Shakespeare Company — to say nothing of the leading regional theatres — could not have taken place when the entire theatre was structured as a profit-making venture.

Theatre artists and journalists from other continents where significant government arts subsidy is taken for granted never seem to grasp the fact that the nonprofit theatre in America — existing as it does today both to serve communities and to further the art form — is still virtually expected to pay its own way. Yes, we do have grants from both public and private sources, but for the most part, theatre is expected to get by, through a combination of tightening budgets and earning money. And our artists are expected to carry the burden.

Alan Schneider, the eminent stage director who serves as the current president of TCG, is fond of quoting playwright Robert Anderson, who said: "You can make a killing in the theatre, but not a living." More reasonable choices should be possible in this country. A young lawyer can decide to build a fortune representing clients in divorce proceedings — or make a great deal less money teaching law. A doctor can live comfortably involved in medical research — or make a fortune taking tucks in aging faces.

The point is, alternatives exist in some professions, but less in the theatre than in others, simply because the *alternative* in theatre does not always provide an honorable living. Something is seriously wrong with our value system when talented, highly trained performing artists must compute their unemployment insurance benefits as part of their annual income.

The tail starts wagging the dog when percentages of capacity become more important than artistic capacity! I worry when I hear talk about theatre companies as if they were baseball teams — how many "winners" they produced — or didn't produce — last season. The French use that wonderful word "engagé," implying involvement and interest. We in America have to stop thinking so much about balance sheets, merchandising and whammo hits, and more about what involves and moves us.

Throughout the world, America's experimental theatre is acknowledged as preeminent. Ironically, our leading troupes, long-time experts on survival tactics, are increasingly leaving this country to work in Europe, as subsidies from foreign governments are more readily available to support their work than are public or private funds here at home.

Show Business is about *product*. The Theatre is about *process*. Naturally the two are not mutually exclusive, but when the product dominates, the process is threatened. The theatre is supposed to be about taking risks. Read any interview with an actor and inevitably there will be some reference to the actor's sense of danger when meeting or confronting the audience. That confrontation need not be adversarial — but there cannot be a passive relationship with the audience. Once we start discussing an art form and use such words as "dangerous" or "confrontational," we're not going to make everyone happy. Ticket sales might suffer. Corporate grants may not be forthcoming. But remember how many years went by before the plays of O'Neill, Genet and Beckett were "accepted." It only happened over time, after many productions in many places and changes in public tastes. Today, these plays are cherished classics. Who will support the process, the risk-taking that will give us tomorrow's classics?

The nonprofit theatre supplies most of today's new material to the commercial theatre and the commercial theatre offers greater opportunities for fame and financial rewards to artists and other theatre workers. Together, the two systems provide virtually all the professional theatre employment available for artists. While the goals of the two systems are vastly different — and often at odds with each other — it is perhaps inevitable that when one is in trouble, both are in trouble. Maybe now that the commercial theatre has joined the nonprofit theatre as an endangered species, government and the private sector will take more notice of both. But at this point, major surgery may be needed.

As this survey demonstrates, the nonprofit theatre is scrambling to stay alive by a siege mentality. We're expending energies developing more earned income, as if the sale of T-shirts enhanced and extended the art form. We're telling corporations that we should be supported because we are good for business and provide benefits for their employees. It's dangerously close to the sales pitch made by the Chamber of Commerce — we're marketing ourselves for the wrong reasons.

Americans do not expect individuals or corporations single-handedly to underwrite the costs of scientific research or education. We consider these matters of national priority to be supported by our taxes through local, state and federal governments, which also provide the leadership to attract the contributions of the private sector. Until we make the arts central to our society — and stop treating them condescendingly as an afterthought — we will continue to limit our expectations and restrict our potential for glory.

The time has come for the theatre community to stop "coping." Make-do compromises have forced artists to abandon the theatre because of its disgracefully low salary scales; artistic vision is being swapped for market feasibility studies, and the entire theatre constituency is in danger of operating on the "Slightly Pregnant" syndrome: "If we have a hit and make a commercial sale, then everything else will be possible." At what point will commerce begin to take *precedence* over art?

Great works of art can't be produced without a solid foundation on which to build. The astonishing accomplishment of the Royal Shakespeare's *Nicholas Nickleby* was caused by artistic director Trevor Nunn's desire to keep his entire company together during a year of fiscal crisis. That combined London-Stratford acting company was five times as large as the only sizable company in this country. One can't build a house without a hammer and nails, and the American theatre is trying to use rubber cement.

I recently read in the bulletin of the Arts Council of Great Britain, that enlightened country's federal arts agency, an insightful discussion of the world recession's effect on the theatre:

"What is the most serious threat to the subsidised theatre today? The most *obvious* one is certainly that a company will have to close its doors . . . . A hidden danger, and arguably more serious in the long term, has been working unseen and in some quarters unrecognised — ironically perhaps *because* 'the show has gone on.' It can be identified by the word 'erosion': a slow persistent cutback in all areas. Erosion is the worm in the bud of the production budget; the canker in the Boardroom which turns an enterprising policy into one of 'play safe.' Erosion is the most insidious and dangerous threat to the subsidised theatre today."

Erosion may not close theatres, but it will make it even harder to scramble up the mountain. How will artists have the energy to dream if they are hanging on by their fingernails at the same time?

We need a Portent — or at least a strong signal — from our government that public funds will not continue to be eroded and that our nation's government will once again become a leader in our efforts to explore the soul of our country through its art.

— Peter Zeisler

Survey Universe: 123 Theatres in 1982

During 1982, Theatre Communications Group surveyed 123 nonprofit professional theatres from 70 cities in 35 states and the District of Columbia. Now in its ninth year, the TCG survey is conducted annually to provide current information on financial and statistical trends in America's national theatre.

Looking at the aggregate, during the 1982 season these 123 theatres mounted 2,081 productions which were presented for a total of 36,727 performances before an audience of more than 13.1 million. More than three-quarters of a million people purchased series subscriptions, pledging themselves to attend all the productions of their theatres during the season.

However, numbers and statistics are not the real measure of achievement. The data treated in this report is merely a quantitative reflection of productivity that encompassed the best of classical and modern drama, and included the American or world premieres of a number of important plays. The 1982 season included Athol Fugard's *Master Harold... and the boys, A Soldier's Play* by Charles Fuller, Patrick Meyers' *K2*, Harold Pinter's *The Hothouse, Foxfire* by Hume Cronyn and Susan Cooper, Jules Feiffer's *Grownups*, Beth Henley's *The Wake of Jamey Foster*, David Mamet's *Edmond*, Christopher Durang's *Sister Mary Ignatius Explains It All for You*, Lanford Wilson's *A Tale Told* and many more.

At the same time, the Broadway theatre continued to capitalize on the successes of previous nonprofit theatre seasons, thereby providing a longer life, increased visibility and further financial development for such plays as *Agnes of God, Crimes of the Heart, Children of a Lesser God, A Chorus Line, The Pirates of Penzance* and *Mass Appeal*, which began life at institutional theatres across the country.

In fiscal terms, the 123 theatres, with operating budgets ranging from $56,000 to $8.9 million, had combined operating expenses of $144.3 million. Income, however, fell short of meeting expenses by $1.7 million, leaving a collective deficit at the end of the survey year.

Paid personnel employed by these theatres included 8,788 artists, 2,726 administrators, and 4,296 craftsmen and technicians, for a total work force of 15,810. In order to maintain productivity, the overburdened theatre staffs required the additional assistance of more than 15,000 volunteers.

Survey Universe

Finances	
Earned Income	$ 89,502,918
Contributed Income	$ 53,034,970
Total Income	$ 142,537,888
Total Expenses	$ 144,312,886
Deficit	$ (1,774,998)
Production Activity	
Attendance	13,105,456
# Subscribers	762,966
# Performances	36,727
# Productions	2,081
Work Force	
Artistic Staff	8,788
Administrative Staff	2,726
Technical Staff	4,296
Total Work Force	15,810

Overall, the survey data indicates that the state of the economy has severely affected the expenses, earnings and contributed income of these theatres. Examination of the data raises serious questions about the survival of the field. In reading this report, one cannot help but ask: Is there a future for nonprofit theatres? If so, what are the problems which must be addressed in order to guarantee the survival — and continued growth — of all our nation's cultural institutions?

Sample Group: 22 Theatres over 9 years

A study of theatre finances and statistics becomes meaningful only when looked at over time. Twenty-two of the theatres participating in the TCG survey for the past nine years have been selected for detailed analysis of trends in income, expenses and productivity. Their budgets range from $600,000 to $6.9 million; together they constitute approximately a third of all nonprofit professional theatres of this size. While the Survey Universe provides an overview of the scope of activity during the past year, the Sample Group tracks the trends over nearly a decade, from 1974 to 1982.

In addition to dollar totals and year-to-year percent changes in all major categories, the Sample Group information provides compounded growth rates, a method of calculating the average annual percent change over the past nine years. For a more accurate picture of the condition of the field, some data is adjusted for changes in the consumer price index between 1974 and 1982. This dramatic comparison between current dollars and constant, or non-inflated, dollars provides a real reflection of purchasing power.

During 1982, total expenses for these theatres increased faster than did total income, just ahead of inflation, which was 7.1 percent during the survey period. Although total earned income covered 68 percent of all expenses — the highest earnings ratio in all of the nonprofit performing arts — an earnings gap of 32 percent remained to be filled by public sector grants and private sector contributions. Unfortunately, these sources failed to meet the funding challenge in 1982, and the 22 Sample Group theatres, like the 123 theatres in the Survey Universe, finished the year with a substantial collective deficit.

Most theatres played to a large percentage of audience capacity during the season, and the resulting high earnings rate leaves little room for major earned income growth in the future. Consequently, the level of contributed income is going to be the major determinant of whether the nonprofit professional theatre regains its health in the years ahead. Unfortunately, the pattern of contributed support over the past nine years has been unstable at best, and forecasting the future development of these sources of income is exceedingly difficult.

The theatres included in the Sample Group are: A Contemporary Theatre, American Conservatory Theatre, American Place Theatre, Arena Stage, Asolo State Theatre, Circle in the Square, The Cleveland Play House, The Guthrie Theater, Hartford Stage Company, Indiana Repertory Theatre, Long Wharf Theatre, Mark Taper Forum, McCarter Theatre Company, Milwaukee Repertory Theater, Old Globe Theatre, Phoenix Theatre, Repertory Theatre of St. Louis, Seattle Repertory Theatre, StageWest, Syracuse Stage, Trinity Square Repertory Company and Yale Repertory Theatre.

Earned Income

Total earned income for the 22 Sample theatres increased in 1982 by 7 percent and covered more than two-thirds of the season's operating expenses. Yet, this growth rate is the second lowest year-to-year increase since the TCG survey began in 1974. It also marks a steep decline from the healthy 25 percent gain in 1981 and is well below the nearly 14 percent compounded growth rate for earned income between 1974 and 1982. Virtually all of the dollar increase over 1981 is due to an increase in ticket prices, rather than to growth in attendance, productivity or miscellaneous income-generating projects.

Box Office

Nearly three-quarters of all earnings were generated at the box office, where ticket income increased nearly 17 percent. Overall, subscription income continued to exceed income from single-ticket sales. However, as in the previous year, single-ticket income rose at a faster rate (20 percent) than did subscription income (14 percent).

Non-discounted single-ticket prices averaged between $7.35 and $14.30, a 15-17 percent increase over 1981, while subscription ticket prices averaged between $5.20 and $11.40, an increase of between 11 and 22 percent.

Although these prices still compare favorably to Broadway, which has experienced a radical attendance slump in the wake of raising top ticket prices to $45, continued increases in nonprofit ticket prices may similarly limit its audience to those who can most afford the cost of tickets. In many communities, movies and subscription television are the major competition for the entertainment dollar, especially among segments of the population that are not already established theatregoers. The challenge of attracting new and diverse audiences which reflect the community's demography may become insurmountable if ticket prices continue to climb.

Although 1982 box office income was up considerably over 1981, fiscal constraints caused little expansion in mainstage productivity. The number of mainstage productions held even with 1981, but performances decreased somewhat, reducing the number of available seats for the season. For mainstage activity, the reduction in available seats parallels a corresponding reduction in attendance: both were down by 2 percent. It is difficult to say whether managers anticipated the diminished audience or exhibited wise planning designed to minimize running costs — or whether the reduction in the number of performances actually *caused* lower attendance. This drop in total mainstage attendance is partially explained by the fickleness of the single-ticket buyer, who, in a tighter economy with increased demands on his disposable income, exhibited a willingness to pay for higher-priced tickets less often and with a greater degree of selectivity. However, the number of loyal and committed mainstage season subscribers increased by 4 percent, offsetting some of the loss in single-ticket admissions.

Counter to the slight decrease in mainstage activity of the Sample theatres, the number of productions and performances for *total* resident activities actually increased when second stage programs, children's series and staged readings are combined with mainstage events. Overall attendance and subscription for these combined activities also increased.

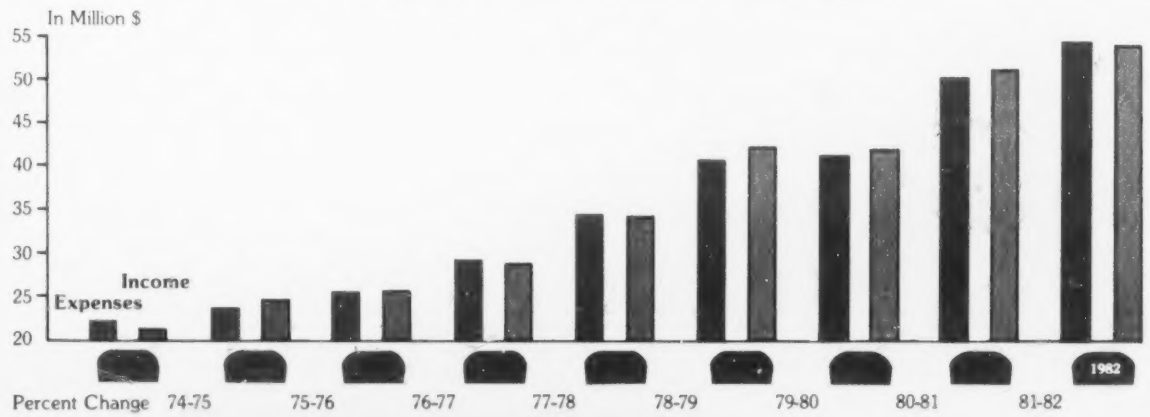
It is the paradox of the labor-intensive nature of the theatre that increased productivity can, and often does, yield diminishing returns. Managements have structured their offerings carefully to cope with the challenge of mounting costs and the growing need to maintain earned income by offering a wider variety and number of less expensive ancillary productions in smaller and more flexible spaces.

Touring

A complete understanding of the nature of earned income includes more than subscription and single-ticket sales. Two-thirds of the theatres in the Sample Group engaged in touring during 1982 and reported a 52.5 percent decrease in such revenue from the previous year.

Much of the sharp decline is explained by the fact that one Sample theatre did not tour nationally in 1982, as it had in 1981. Adjusting the figures to eliminate that theatre yields a more accurate picture, showing that touring revenue in 1982 decreased 28 percent and the number of performances on tour decreased proportionately from 1,332 to 1,017 in 1982. As a result, touring income accounted for only 2 percent of the total operating expenses for the 21 theatres during 1982, just over half the 1981 figure. Unfortunately, the economy appears to have discouraged theatres from investing time and resources in serving audiences outside their home bases, many in areas where theatre is otherwise unavailable.

Comparison: Total Income and Expenses



Percent Change	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82
Income	15.5	5.9	11.1	16.5	25.0	.83	21.3	6.4
Expenses	11.5	9.4	11.5	15.2	21.5	.05	21.2	8.5

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Educational Programs

Nearly half the theatres in this group engaged in educational programs, which grew by 3 percent and continued to provide funds for 3 percent of total operating expenses in 1982. As local, state and federal funds supporting outreach programs for public schools have fallen off, income from school performances has decreased 16.5 percent from 1981. However, total income in the educational area has risen, due to in-house training programs which have been vigorously pursued, producing a 13 percent increase in income from tuition and fees.

Booked-in Events

Almost a third of these theatres presented booked-in events to maximize the use of their facilities during 1982. But this type of activity has been reduced, as either fewer events were available due to the reluctance of performing arts groups to tour, or as presenting theatres became increasingly cautious about making box office guarantees for productions they did not themselves mount. Revenue in this category decreased by 33 percent, a sharp drop that reversed the 86 percent growth of booked-in event income seen between 1980 and 1981. In 1982, income from booked-in events declined in importance as a source of earnings from a peak of 7 percent of operating expenses in 1981 to only 4 percent this year.

Other Earnings

Considerable entrepreneurial skill — and some luck — raised the total amount generated by miscellaneous earned income categories, collectively accounting for 11 percent of total expenses. Chief among these sources was interest and dividend income, which increased 33 percent in 1982, compared to 14 percent in 1981, due to wise investment as favorable interest rates prevailed throughout much of the survey period. However, these rates have already begun to fall, and a substantial decline is expected in this category in 1983.

The same is true of interest from endowment income, which increased by 92 percent in 1982. Although the total amount earned by endowment funds is relatively small (less than a third of the Sample theatres have yet accumulated sufficient monies to enable them to establish such income-generating funds), the number of theatres reporting such income doubled from three to six in 1982, and the dollar amount followed suit by nearly doubling as well. This is an encouraging sign that more theatres are working to establish endowments which will provide a source of future earnings.

Royalty payments to theatres for subsequent productions of new plays at other theatres, commercial transfers, video and film productions, recordings and similar activities fell 26 percent in 1982. Such income, although it occasionally can produce a windfall, is an erratic source of earnings dependent on successful future production of works developed by theatres which have contracted to participate in subsidiary earnings. In 1982, such royalty payments accounted for only one percent of expenses. Obviously, the anticipated financial benefits of cable television accruing to the performing arts have not materialized, and in spite of the fact that Broadway has continued to depend upon the noncommercial theatre for new dramatic material, most theatres do not reap major financial rewards from these sources.

The total income from concessions, advertising and rentals dropped over 4 percent below 1981 levels, covering approximately 3 percent of expenses. Miscellaneous other sources of earned income increased, largely as the result of major property sales by two of the Sample theatres, causing a one-time infusion of funds into operating coffers. However, both sales involved second performance facilities and therefore can be seen as short-term cash acquisitions that actually diminish long-term potential for both earned income and expansion of programming.

The tendency in the philanthropic community to consider the development of non-performance and subsidiary earned income in evaluations of grantee stability, and the potential dependence by the theatres on such income, suggest a dangerous trend for the future. For, however helpful in balancing the budget, expansion of these secondary earnings activities can divert time, energy and talent from the central purpose of the theatre. Yet this trend may be inevitable if theatres must become more engrossed in the advantages of tote bags, T-shirts, parking lots, bars and program advertising to offset rising expenses and the diminishing opportunities for contributed income.

Total Income and Expenses

In thousand $	1974	1975	1976	1977	1978	1979	1980	1981	1982
Earned Income	13,786	15,773	17,362	20,048	22,974	29,058	27,694	34,653	37,185
Total Expenses	21,897	24,408	26,706	29,781	34,296	41,682	41,703	50,543	54,813
Earnings Gap	(8,111)	(8,636)	(9,344)	(9,734)	(11,321)	(12,624)	(14,009)	(15,890)	(17,628)
Contributed Income	7,619	8,943	8,810	9,026	10,892	13,280	14,293	16,291	17,002
Total Income	21,405	24,716	26,172	29,073	33,866	42,337	41,987	50,944	54,187
Surplus/Deficit	(492)	308	(533)	(708)	(429)	656	284	401	(626)

Earned Income

In thousand $	1974	1975	1976	1977	1978	1979	1980	1981	1982
Box Office	10,314	12,182	13,230	15,082	17,055	21,696	19,642	22,683	26,523
Touring	811	477	806	1,124	1,200	1,013	1,698	2,693	1,279
Educational Programs	462	671	800	929	1,092	1,241	1,434	1,443	1,488
Booked-in Events	1,381	1,240	1,151	1,159	1,573	2,191	1,890	3,513	2,343
Other	818	1,203	1,375	1,754	2,054	2,917	3,030	4,321	5,552
Total	13,786	15,773	17,362	20,048	22,974	29,058	27,694	34,653	37,185

Contributed Income

During 1982, public and private support through grants and contributions to these 22 theatres increased by only 4 percent, well below the inflation rate for the same period. This is a discouraging reversal of the 14 percent increase in contributed income during 1981. While contributed income reflects a slight measure of dollar growth, the 4 percent increase is well below earned income growth during the same period and the compounded growth rate of more than 11 percent in contributed income between 1974 and 1982. Earned income covered 68 percent of expenses, while contributed income covered only 31 percent — both were down by one percent compared to 1981.

Because trends in the various categories of contributed income are interrelated and symbiotic, it is particularly interesting to view the overall ecology of the major sources of support. The 1982 TCG survey is the first full year of data available since the Reagan Administration took office. This data reveals the early results of the ravages of sweeping federal cuts — in financial and psychological terms — upon the delicate ecological system of the entire nonprofit sector.

The 1982 statistics reveal some dismal facts about theatre support in all five major funding categories:

- Federal support decreased significantly.
- State support growth leveled off.
- Individual contributions grew by only one-third of the 1981 rate.
- Growth of foundation giving has declined steadily since 1979.
- Corporate support increased at a significantly slower rate.

Although total grants and contributions to theatres have grown each year since 1976, the *rate* of growth has fluctuated wildly. These 22 theatres are among the nation's most securely established and financially stable, but the erratic changes in contributed support over nine years portend continued obstacles to serious long-range planning, and — in some cases — threaten the very survival of the institutions.

Federal Government

For the first time since 1976, federal support from the National Endowment for the Arts has fallen from its place as the leading source of contributed income for these 22 theatres. As a percent of expenses, federal monies in 1982 accounted for less than 5 percent of the total — the lowest in the history of the survey. The dollar amount decreased more than 9 percent from the 1981 level, a heartfelt blow after the 24.5 percent gain made between 1980 and 1981.

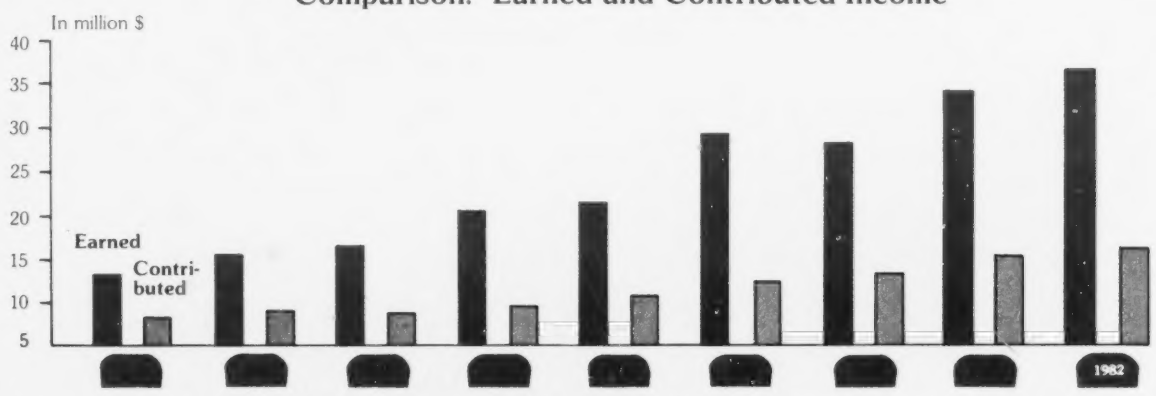
Most of the decrease is the result of a more than 96 percent decrease in Challenge Grant funds awarded to these theatres; while seven had Challenge Grants in 1981, only one reported such funds in 1982, leaving virtually the full burden of federal support with the NEA Theatre Program. Theatre Program grants to this particular group of 22 theatres actually increased in 1982, but not enough to make up the difference. It is believed that the increase is not representative of the entire nonprofit professional theatre field since it does not reflect the significant reduction seen in the Endowment's Theatre Program budget for fiscal year 1982. Although the Endowment's Theatre Program cuts have not yet been felt strongly by the theatres in the Sample, they *have* been felt deeply by the theatres in the overall survey.

An internal re-ordering of priorities and the reduced 1982 congressional appropriation for the National Endowment produced a "double jeopardy" with direct impact upon theatres. It is clear that not all the fault lies with the Reagan Administration's budget-cutting policies, for although the total 1982 NEA appropriation was reduced just under 10 percent, the funds allocated by the NEA leadership to the Theatre Program suffered a larger reduction of 11 percent — from $10.8 million in 1981 to $9.6 million in 1982. In 1983, the agency is expected to cut the Theatre Program budget by over $1 million more, even though Congress has passed an increased overall arts appropriation. The effect of this continuing erosion of theatre funding will almost certainly be seen in next year's TCG survey.

The reduction in federal support, after steady gains every year since the NEA was first established, is disturbing not just in terms of dollar amounts, but in the reversal of the agency's historic stimulation of private giving. The conclusions of a recent Urban Institute report reveal that between 1982 and 1985, in order to offset further proposed cuts in the federal Administration's budget, the growth of all private giving would have to equal 117 percent in 1983, 140 percent in 1984 and 147 percent in 1985, just to cover the federal losses at the 1982 level of expenses — a growth rate 10 to 12 times greater than its historic peak. Private donors have been quick and nearly unanimous in their opinion that such growth is unimaginable.

There is no question that federal funding policies in the age of supply-side economics have produced a "trickle down" effect on support for the arts, but in a way far different from what the Administration predicted. The prospect of seeing the trickle reduced to intermittent drops has profound implications for the entire nonprofit sector, and the nonprofit theatre in particular.

Comparison: Earned and Contributed Income



Percent Change	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82
Earned	14.4	10.1	15.5	14.6	26.5	-4.7	25.1	7.3
Contributed	17.4	-1.5	2.4	20.7	21.9	7.6	14.0	4.2

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State and Local Government

Of the 22 theatres in this Sample, 20 received support from state arts agencies in 1982. The growth rate of only 3 percent between 1981 and 1982 is far less than the 16 percent compounded growth rate over nine years. State funds covered 3 percent of all operating expenses — consistent with the 1981 level. The prospects for continued growth are slim as, historically, federal funding levels for the arts have affected state funding trends. Furthermore, extensive federal cutbacks have placed enormous demands on state coffers to replace terminated federal programs in order to carry on the full panoply of social services. Although the National Assembly of State Arts Agencies reports that total state arts agency appropriations grew by approximately 9 percent in 1982, the 3 percent gain made by these theatres was significantly lower. NASAA also reports state arts agency funding will grow by less than 5 percent for 1983, suggesting that increased economic pressures on state governments will totally eliminate the 1982 gain for these theatres next year.

Total local government funding has accounted for less than one percent of expenses throughout the nine-year history of the survey. The growth rate of almost 12 percent in 1982 is well below the compounded growth rate of 17 percent for local support since 1974. Thus, such support for theatres cannot be considered a major source of funding. Although nine theatres reported a total of $409,000 from local governments in 1982, three-fourths of this amount was from one city to one theatre. Given the current federal cutbacks, and the need for city and county governments to assume responsibility for paying an increasing share of the tab, local arts funding cannot reasonably be expected to make any significant gains nationally in 1983 either.

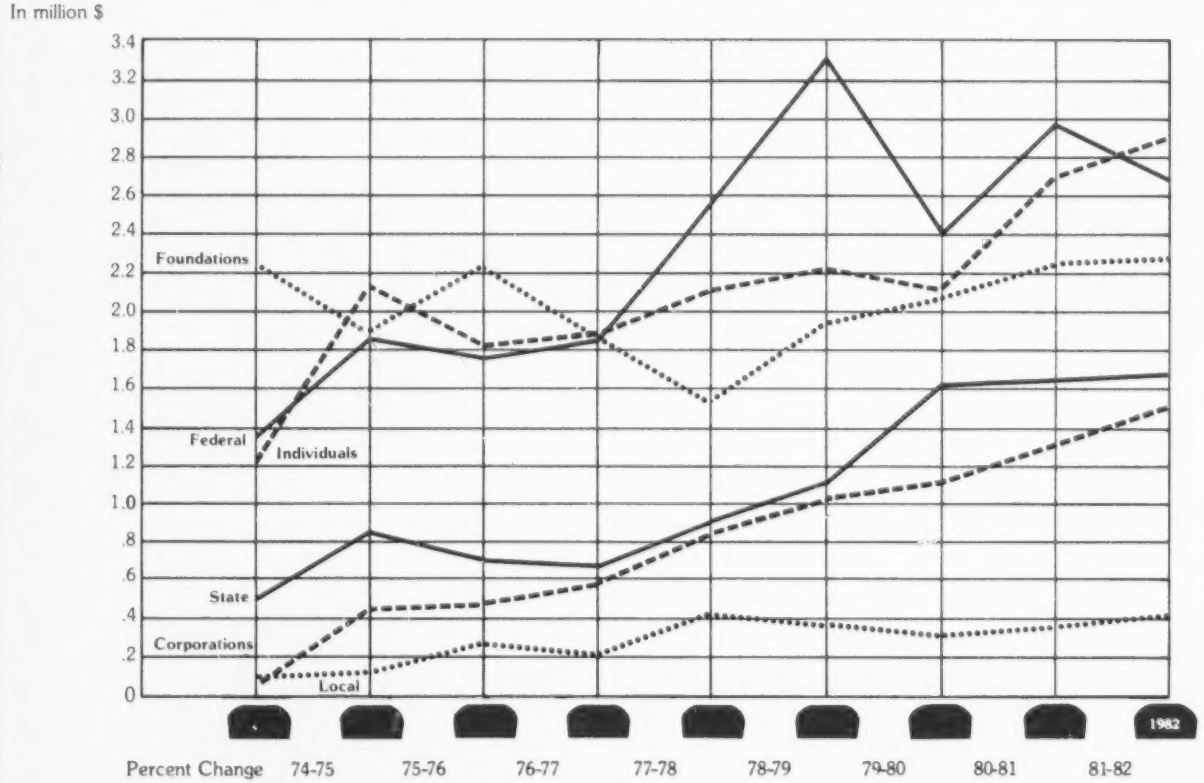
Individual Giving

Whether through membership organizations or annual giving campaigns, or a combination of both, contributions from individuals were the most important single source of contributed income for the Sample theatres in 1982.

However, the 8 percent increase in individual contributions is far below the 24.5 percent increase between 1980 and 1981. Some 38,000 individuals gave almost $3 million to the 22 theatres in 1982 — an average of $77.30 per person — compared to 34,365 individuals who gave an average gift of $78.75 the year before. While the number of gifts is increasing, the size of each is decreasing, undoubtedly raising the unit cost of fund-raising. From these figures, it is reasonable to conclude that in the future increasing amounts of funds, administrative manpower and materials will be devoted to further cultivation of individual theatre donors in order to generate enough small gifts to maintain — and hopefully increase — the aggregate income from this source.

That the generosity of individual giving should increase *above* the rate of inflation in the midst of a recession is not only encouraging, but also reflects substantial community support for these theatres beyond attendance and box office support.

Comparison: Contributed Income Sources



Percent Change	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82
Federal	34.4	-4.3	4.1	37.7	29.2	-27.7	24.5	-9.1
State	66.5	-14.1	-6.1	29.6	21.8	46.7	1.9	3.0
Local	8.1	120.6	-24.0	91.7	-5.1	-8.3	2.7	11.7
Individuals	77.3	-13.9	1.4	14.8	2.5	-1.8	24.5	8.4
Foundations	-15.0	15.7	-14.6	-17.8	23.0	9.9	5.3	1.8
Corporations	4.4	2.4	26.3	43.2	19.7	10.9	17.5	14.3

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Foundations

The suggestion made by the American Association of Fund-Raising Counsel that 1981 would be the last year foundation giving in general would increase substantially is borne out in this year's survey results. Sadly, foundation giving to theatres increased at a rate less than 2 percent above 1981 levels. Foundations provided 4 percent of total operating funds for the Sample theatres during 1982, down from a high of 10 percent of operating expenses in 1974. Foundation giving has followed a roller coaster pattern for the past nine years and has fallen in importance since 1974, when foundation grants were the largest source of contributed income. Today, the total dollar amount of foundation grants is almost exactly the same, in spite of nine years of rampant inflation and enormous increases in theatre budgets. Nevertheless, foundations are still the third most important source of contributed income — after individuals and the federal government — and this year's amount represents the highest level since 1974, which is primarily a reflection of the doldrums in which foundations found themselves during the intervening period.

As with corporate giving, the atmosphere of increased competition among all nonprofit organizations for available funds affects foundations and other private funding sources. Today, foundations, many of which are among the most courageous and forward-thinking of potential funding sources, are hard-pressed to find ways of meeting the staggering needs of the nonprofit sector. Therefore, although the survey shows that foundation giving to theatres has been making gains since 1979, the increasingly slower pattern of growth, coupled with the increasing demands on foundations from all quarters, leads to the conclusion that theatres will not see substantial increases from this source in the coming year.

Corporations

Corporate support increased for these 22 theatres by less than $200,000 in 1982. This 14 percent gain over 1981 levels is below the 17.5 percent gain made between 1980 and 1981, and is well below the 19 percent compounded growth rate for corporate gifts over the 1974-82 period. In 1982, the number of corporations offering support grew by nearly 11 percent to 1,352, up from 1,221 a year earlier. Although the average donation increased slightly from $1,097 in 1981 to $1,133, the individual grant amounts remain very small compared, for example, to the average foundation grant of $7,232.

The continued recession reduced corporate profits during 1982, thereby reducing the motivation and the funds available to foster larger increases. In addition, corporations have been inundated with a substantially increased number of requests for assistance from the arts and all other donee categories in the nonprofit sector, brought on by federal cuts. Where corporations have been able to do more, it is likely due to enlightened self-interest in response to a growing awareness of corporate social responsibility in the communities where they do business, rather than representing a direct response to the federal government's call for the private sector to do more. Should the national economy improve, corporate giving may again make significant gains as it did between 1976 and 1978. But, in the meantime, theatres will likely be faced with growing development costs to become increasingly competitive in the quest for a finite amount of corporate monies available to the rapidly expanding number of nonprofit organizations seeking assistance.

Understandably, theatres have more difficulty raising funds from the corporate sector than do some other institutions like museums and orchestras. Very likely, this problem results from the very nature of the art form. Theatre deals with ideas and the spoken word, which corporations sometimes consider too controversial, or experimental, to be consistent with the image-building goals of corporate giving. Although there are many enlightened corporate executives, they cannot always afford to take risks in the public eye. Therefore, corporations will probably always be slower to join the ranks of theatre supporters and will likely remain in fifth place among the six major sources of contributed income.

Other Contributions

Other sources of contributed income include united arts funds, donated services and materials, and funds from sheltering organizations such as performing arts centers, museums and universities.

United arts funds are channels for contributions, rather than sources of income — hybrid umbrella organizations which raise funds from various local sources, including individuals, corporations and foundations, which are then distributed to selected arts organizations.

UAFs, which do not exist in all communities, were a source of income for nearly half of the theatres in this Sample during 1982. However, nearly 80 percent of the total dollars in this category were given by one UAF to one theatre; the remaining $500,000 was divided among the other nine theatres. Although there is no clear pattern in this income category, support from UAFs has increased in all but one of the nine years studied in this survey.

Contributed Income

In thousand $	1974	1975	1976	1977	1978	1979	1980	1981	1982
Federal	1,395	1,875	1,794	1,868	2,573	3,323	2,403	2,992	2,719
State	517	860	739	694	899	1,095	1,607	1,637	1,686
Local	118	128	281	214	410	389	357	366	409
Individuals	1,214	2,153	1,856	1,882	2,160	2,213	2,174	2,706	2,932
Foundations	2,267	1,928	2,231	1,905	1,565	1,926	2,117	2,230	2,271
Corporations	444	464	475	599	858	1,028	1,140	1,340	1,531
Other	1,664	1,535	1,434	1,864	2,427	3,306	4,495	5,020	5,424
Total	7,619	8,943	8,810	9,026	10,892	13,280	14,293	16,291	16,972

Expenses

Between 1974 and 1982, the aggregate expense budgets of the 22 Sample theatres have grown by an astonishing 150 percent as theatres have become increasingly professional in both staffing and operation. Yet, because of the rampant inflation of the '70s, the compounded growth rate for the same period was only 12.5 percent.

In 1982, total expenses increased by only 8.5 percent over the previous year, just a little ahead of inflation. Since total income increased only 6 percent, it is obvious why there was no substantive growth this year in programming activities. Theatres had all they could do to stretch income to meet rising personnel needs.

Overall, non-personnel expenses actually decreased by nearly one percent, indicating a strong attempt to hold the line on set and costume budgets, as well as on the purchase of other supplies and services, in spite of continually rising costs in building materials, postage, utilities, printing, paper and so forth. Since theatres could have no control over the general economic environment, their only choice was to simply do more with less.

Total salaries, fees and fringe benefits for all artistic, administrative and production personnel for these theatres increased by just over 15 percent in 1982. Overall, the total number of paid employees increased almost 4 percent, while their collective salaries grew to 59 percent of all expenses — up from 55 percent in 1981. The total dollar amounts paid to authors as royalties increased 12 percent over 1981, representing an additional 2 percent of expenses paid to individuals. Collectively, salaries, fees and authors' royalties accounted for nearly two-thirds of all expenses, a continued reflection of the labor-intensive nature of the field.

Not surprisingly, the largest increases in manpower and salary expenses were seen in administrative areas. The total administrative work force involved in box office operations, marketing, fund-raising and general management grew by almost 12 percent. For some time, as theatres have increased their budgets each year in an effort to expand services and keep their institutions fiscally viable, the personnel required to generate and administer the required income has also been forced to increase.

The need to attract a larger number of subscribers, and to "market" plays to the single-ticket buyer, increases the demand for administrative manpower. Likewise, the energy, time and resources necessary to increase secondary sources of earnings, such as advertising, concessions, rentals and bookings, and to solicit gifts from nearly 38,000 individuals and 1,352 corporations is considerable.

This year's 22 percent increase in administrative salaries is even more meaningful when compared to salary increases of less than 14 percent for artistic personnel and under 10 percent for technical and production staffs.

While the proportion of the budget allocated both to administrative and production/technical personnel has grown more or less steadily over the past nine years, it is disconcerting that the proportion of funds earmarked for artistic salaries has lost ground just as steadily — falling from an average of 27-29 percent of all expenses in the late '70s to only 24-25 percent in 1981 and 1982.

Both the number of actors and actor work-weeks continued to increase in 1982, but the number of other artists employed decreased significantly. This growing imbalance raises the question of whether the institution exists to serve the art, or the other way around? Inadequate artistic staffing can lead to a condition in which artistic directors are stretched far too thin, having to direct too many plays each season, and doing so without needed assistance from seasonal and part-time artistic personnel. It is easy to understand why one of the growing problems faced

Total Expenses

In thousand $	1974	1975	1976	1977	1978	1979	1980	1981	1982
Salaries:									
Artistic	5,883	6,571	7,714	8,708	9,903	10,672	10,642	11,961	13,608
Administrative	3,004	3,966	4,177	4,606	5,353	6,395	7,263	8,132	9,954
Technical	2,534	3,496	3,718	4,181	4,555	6,315	5,964	7,939	8,711
Total Salaries	11,422	14,032	15,609	17,495	19,810	23,382	23,869	28,032	32,272
Authors' Royalties	521	551	605	710	717	937	928	983	1,097
Non-personnel Expenses	9,955	9,825	10,492	11,575	13,769	17,362	16,906	21,613	21,444
Total	21,897	24,408	26,706	29,781	34,296	41,682	41,703	50,628	54,813

Percent Change in Expenses

In percentages	74-75	75-76	76-77	77-78	78-79	79-80	80-81	81-82
Salaries:								
Artistic	11.7	17.4	12.9	13.7	7.8	-.3	12.4	13.8
Administrative	32.0	5.3	10.3	16.2	19.5	13.6	12.0	22.4
Technical	37.9	6.4	12.5	8.9	38.7	-5.6	33.1	9.7
Total Salaries	22.9	11 2	12.1	13.2	18.0	2.1	17.4	15.1
Authors' Royalties	5.7	9.9	17.5	.9	30.8	-1.0	5.9	11.6
Non-personnel Expenses	-1.3	6.8	10.3	19.0	26.1	-2.6	27.9	-.8
Total Expenses	11.5	9.4	11.5	15.2	21.5	.1	21.2	8.5

by the American theatre today is attracting talented younger directors to assume artistic directorships, because of the magnitude of the attendant artistic and institutional burdens.

Yet, administrative positions in the theatre lack sufficient allure, too. In spite of increasing emphasis on building administrative staffs, the average annual salary for administrators in the nonprofit theatre is discouragingly low by any other white-collar standards. In all areas, the noncommercial theatre is heavily subsidized by the theatre workers themselves.

The long view of 1982 expense statistics reveals a counter-productive arrangement in which increasing administrative costs reduce the amount of money available for artistic salaries and physical production — *the work on the stage*. This condition clearly has severe implications for the future development of the art.

Effects of Inflation

To gauge what real growth these theatres have made over the last nine years, gains in productivity must be judged against growth in constant, uninflated, dollars.

In 1974, these 22 theatres had combined income of $21.4 million in current dollars. By 1982, this figure had grown over 150 percent to $54.2 million. This increase of nearly $33 million is misleading, for it does not include adjustments over time for inflation and other changes in the nation's economy that more accurately reflect purchasing power.

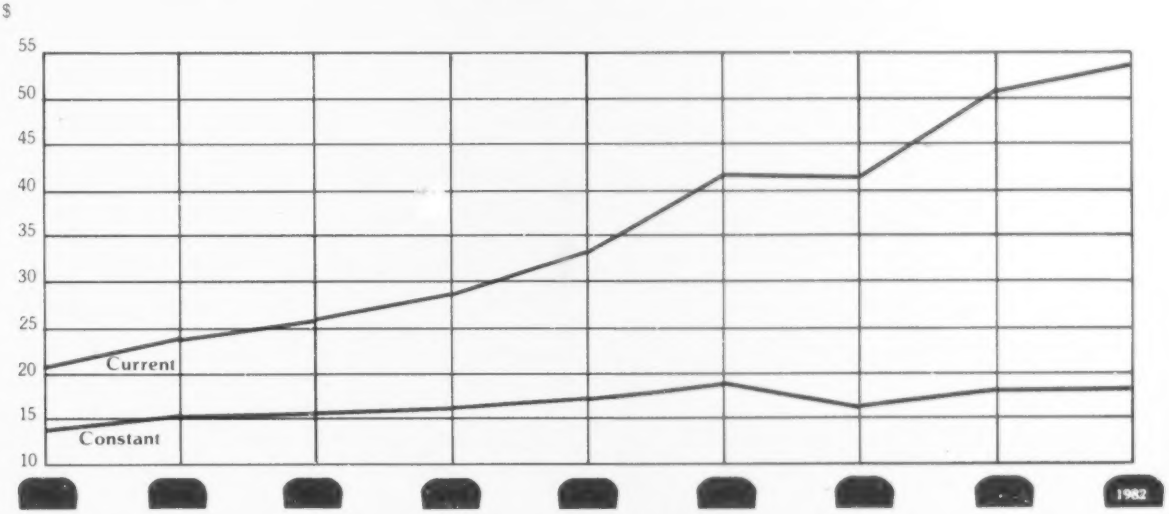
In constant dollars, computed against changes in the consumer price index for the same period, 1982 income had a real value equal to only one-third of today's dollars. In real dollar terms, income growth was $4 million, or an average of only 3 percent each year between 1974 and 1982 — a real growth that is marginal by any standards. In the accompanying graph, the upper trend line in current dollars that seems to reflect growth over nine years, is nearly flattened out when converted to constant dollars, a sobering and pessimistic translation into real economic terms of nearly a decade of work.

The Bottom Line

For the first time since 1978, after theatres had finally managed to maintain a surplus balance for three consecutive years, the 22 theatres in the Sample collectively ended the year in the red.

As reported earlier, total income increased by only 6 percent, while total expenses increased by nearly 8.5 percent. Consequently, nearly half of the Sample theatres failed to cover the year's expenses, producing an aggregate deficit for the group of $626,000. In addition, shortly after the beginning of the 1982-83 season, unable to withstand the economic pressures of increasing costs and shrinking possibilities for contributed income, one of the Sample theatres — the Phoenix Theatre — suspended operations after 30 years of activity. The Phoenix joined an alarming list of more than 20 professional theatres from the TCG constituency which have ceased operations during the last three seasons.

Comparison: Income in Current and Constant Dollars



In million $								
Current	21.4	24.7	26.2	29.1	33.9	42.3	42.0	50.9	54.2
Constant	14.5	15.2	15.3	15.9	17.2	19.3	16.9	18.6	18.6

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Afterword

The crisis of a chaotic economy presents a clear and present danger to the continued well being of our cultural institutions. The drastic re-ordering of priorities by the Reagan Administration is producing far-reaching changes in our entire society, bringing into question many basic values and assumptions. Such changes have profound implications for the survival of all the arts in America, and for their ability to add measurably to the quality of life in communities across the land.

The President suggested early in his term that a renewed American spirit would result in substantial increases in private sector support and volunteer activity, offsetting cuts in the federal budget which affect the entire spectrum of services provided by the nonprofit sector. Quite clearly, this prediction has not come to pass.

In spite of the findings and recommendations of a variety of commissions and special task forces on the arts, and on private sector initiatives, nonprofit arts organizations find their very survival threatened by the combination of reduced public support and the economy's effect upon both expenses and private sector giving. With the heated competition for the available funding dollar by all nonprofit organizations intensifying, arts organizations may find themselves advancing to the rear as a funding priority, as more urgent social services must come first. To make matters worse, the National Endowment for the Arts, long the theatre's advocate and formerly its chief funding source, is itself slashing funds to the Theatre Program for the second consecutive year.

How will theatres cope with the challenge of producing work which requires time, space and money for the developmental process? How are companies of well-trained and mature artists to be assembled to engage in such exploration? And once assembled, what will prevent them from succumbing to more lucrative offers in films and television? How are talented designers to go about creating exciting stage environments in light of ever-escalating costs for materials and labor? Indeed, how will these theatres, which are dedicated to the service of their art *and* their communities, go on serving without substantially raising their ticket prices? Yet to do so would be a direct contradiction of their chosen mission of creating the highest quality work and bringing it to the widest possible public for the lowest possible cost.

The growth of the nonprofit professional theatre is a testimony to the sophistication and managerial skill of administrators, an affirmation of the variety of artists whose visions are the substance of these institutions, and a confirmation of the involvement of an audience of millions whose lives are enriched and whose view of the world is broadened by the presentation of the best of modern and classical dramatic literature.

But all that has gone before us can be seen as history, with little direct relevance to the future stability or growth of the art form. It is a crisis of new proportion, requiring new energies and new approaches.

Hope for our future is found in the Japanese concept of "crisis." The calligraphic character for that word is made up of two separate symbols: one denoting "danger," the other denoting "opportunity."

The *danger* is great and painfully clear. But the theatre's ability to survive adversity, to find the resources needed to improve both our situation and our understanding, we hope is greater. One major accomplishment cannot be denied — today there is a national audience for theatre. The *opportunity* must be found to serve that audience and to further the art of the American theatre.

Robert Holley
Director of Management Services

"Despair creates anger and
anger creates energy
and energy turns things around."
—Zelda Fichandler

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About TCG

Theatre Communications Group, the national organization for the nonprofit professional theatre, was founded in 1961 to provide a forum and communications network and to respond to the needs of both theatres and theatre artists for centralized services. Today, TCG combines the activities of both service organization and national professional association by addressing artistic and management concerns, serving artists and institutions, and acting as advocate and provider of services for a field diverse in its aesthetic aims and located in every part of this country.

TCG's over 200 Constituent and Associate theatres, as well as thousands of individual artists, participate in more than 25 programs and services. Institutions and individuals, including artistic and managing directors, actors, playwrights, directors, designers, literary managers, trustees, technical and administrative personnel, are served through casting and job referral services, management and research services, publications, literary services, conferences and seminars, and a wide variety of other programs.

TCG works to encourage excellence in the art of theatre and to demonstrate the achievements of the theatre companies and individuals that collectively comprise America's "national theatre."

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Hartman Theatre
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Hudson Guild Theatre
The Independent Eye
Indiana Repertory Theatre
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